

STAT

A secret arms network's ever expanding cast

New evidence suggests that South Africa, Guatemala and China all pitched in—with U.S. aid and encouragement

■ The Iran-Contra affair is back. With a grand jury set to return indictments in a matter of weeks and a hefty report about to be released by the congressional investigating committees, the scandal that so captivated a summer television audience and paralyzed the administration of Ronald Reagan will be page 1 news once again. The congressional inquiry, for various reasons, will have left many questions, but an inquiry into the Iran-Contra affair by U.S. News has provided fresh information on the secret activities of officials of the Department of Defense and the Central Intelligence Agency and yielded a more complete picture of the elaborate network that, with profits from the arms sales to the Ayatollah Khomeini's regime, supplied arms to the Contras at the very time U.S. laws prohibited such assistance. Among the findings of the inquiry:

■ A payoff in Guatemala

A Guatemalan general provided more than a dozen shipping documents that enabled American arms brokers to deceive other governments into transferring millions of dollars' worth of rifles, mortar grenades and other weapons to the Contra rebels. According to information obtained by congressional investigators and a Pentagon official, César Augusto Cáceres Rojas, then the chief of staff of the Guatemalan Army, signed the documents, called end-user certificates, indicating that the weapons would be used only for Guatemalan security forces. Government sources say the certificates were used by retired Air Force Maj. Gen. Richard Secord and two Miami arms dealers to arrange the weapons shipments from Portugal and elsewhere to their ultimate recipients, the Contras. Why did the Guatemalan general provide the certificates? According to a U.S. Defense Intelligence Agency attaché, a confidential informant told the attaché that the arms dealers—Ronald Martin and his associate, retired Army Col. James McCoy—arranged for the payments of \$25,000 in bribes to the general in exchange for the documents. Cáceres could not be contacted, but in previous interviews he has denied sign-

ing the end-user certificates. Sources familiar with the investigation of independent counsel Lawrence Walsh say that such acts could warrant possible prosecution under the U.S. Foreign Corrupt Practices Act. The law states that American citizens "knowing or having reason to know" of bribes paid to foreign governments are liable to prosecution. Second, Martin and McCoy—through their attorneys—emphatically deny that false end-user certificates were obtained or that bribes were paid. "Categorically false," says Thomas Green, Secord's lawyer.

■ A tale of two countries

Despite the testimony of a senior CIA official that South Africa played no part in assisting the Nicaraguan rebels, evidence collected by the government investigators indicates otherwise. According to Justice Department sources, Lt. Col. Oliver North's notebooks show that 200 tons of unspecified weapons were shipped from South Africa to Costa Rica and eventually made available to the Contras. North was informed of the shipment in a telephone call Jan. 5, 1985, from CIA official Dewey Clarridge. It was Clarridge who testified to the Iran-Contra panel that South Africa provided no such aid to the rebels. The CIA has declined comment.

The People's Republic of China, using funds provided by Saudi Arabia at the behest of U.S. officials, provided more than 500 tons of Chinese weapons to the Contras in 1985 alone. According to intelligence sources and government documents, the shipments included the Soviet-designed SA-7 surface-to-air missile, previously not known to have been in the Contra weapons inventory. According to the National Security Council staff records, Secord and North helped arrange the arms shipments from China.

■ Secord's stacked deck?

The role of North is particularly intriguing. Independent counsel Walsh, the prosecutor assigned to unravel the Iran-Contra mess, is focusing on North's reliance on Secord as the facilitator of the weapons transactions for the Contras. Is it possible North steered the lucrative weapons business to Secord as a means of financing the so-called off-the-shelf capability Casey dreamed of to carry out intelligence operations not accountable to Con-

Newsweek
Time
U.S. News & World Report 30

Date 16 Nov. '87

gress? "They chose to protect the enterprise at all costs," says an official familiar with the investigations into the affair. "They couldn't afford to have outside brokers interfere with the profit-making enterprise."

There's persuasive evidence to support such a view. During the summer, North testified that Casey told him to stop purchasing arms for the Contras through two unnamed arms brokers. North said that the first broker had obtained sensitive Western technology for the Soviet bloc and that the second was suspected of having financed weapons sales through illegal means. As a result of these warnings, Contra leader Adolfo Calero dumped the two arms dealers and proceeded to make further weapons purchases through Secord. There was just one problem: The evidence against the two arms dealers was bogus. An intelligence source says the first dealer was not only not involved in technology transfer to the Soviets but he obtained valuable Soviet arms for the CIA. Sources maintain that records also show that both arms dealers' prices were lower than those charged by Secord.

■ A profit motive

Secord's share of profits from the Iran-Contra affair is the subject of intense scrutiny. In his sworn testimony before the investigating committees, Secord said he gave up all interest in profits from the Iran-Contra enterprise in mid-1985. Yet financial records and other information obtained by investigators have led them to believe that Secord did participate in a profit-seeking venture in 1986 called Tri-American Arms, to manufacture submachine guns. During his testimony, Secord said he had planned to become a partner in Tri-American, but he insisted that the company was never formed. A congressional committee has referred materials to independent counsel for possible prosecution of Secord for perjury.

■ Problems at the Pentagon

Secord isn't the only one in the Pentagon these days. At the CIA, several senior officials are under the subjects of investigation. Documents suggest that the Contras. Documents suggest that the

Page 19.

Continued

group of senior CIA and Pentagon officials was able to persuade Central American countries to support the Contras during the congressional ban on U.S. aid by providing increased military assistance to those countries. According to Pentagon, intelligence and Senate sources, several senior U.S. military commanders stationed in El Salvador and Honduras—as well as top Pentagon officials in Washington—facilitated the supply of weapons and training to the Contras during the congressional ban on aid. One commander in particular, Army Col. James Steele, the senior military official in El Salvador, worked closely under North's direction in supporting the clandestine shipment of weapons out of the Ilopango Air Base. Another problem area for the Pentagon is the use of military equipment in Central America. According to government documents, the National Guard declared substantial amounts of equipment and weapons "surplus" once training exercises in Honduras were ended. The equipment was turned over to the host military authorities, who took some for themselves, then gave the rest to the Contras.

Some of the Pentagon's special-operations units in Central America have also come under close scrutiny by the congressional committees, and their report is likely to deal with the subject at considerable length. An incident in 1985, though it will not be included in the report, is said to illustrate some of the problems. According to an Army source, a pilot of a joint CIA-Army clandestine aviation unit called Seaspray arranged for his retirement from the Army to occur as he was, literally,

in midair over Nicaragua in a helicopter gunship. The pilot is said to have previously arranged a contract with the CIA, to begin immediately upon his retirement from the Army. The contract change having taken effect at the designated hour, the pilot, now in CIA employ, "rolled in hot," according to the Army source, "and did a left bank" as he strafed a Sandinista airfield, raking targets with machine-gun fire.

So widespread are the ramifications of the Iran-Contra affair that even Pentagon units that had no involvement have felt the repercussions. A supersecret agency known as the Intelligence Support Activity was established as an elite counterterrorism force after the aborted rescue attempt of the American hostages in Iran in 1980. But since the Iran-Contra scandal came to light, the ISA has been linked, erroneously it turns out, to the CIA attacks in Nicaragua. Disturbed by the reports, the Senate Select Committee on Intelligence moved to disband the unit. In a closed-door briefing in September, Army Secretary John Marsh vigorously defended the ISA. It has been saved, but morale is still low. ■

by Steven Emerson with Orli Low

Portions of this article will appear in Emerson's forthcoming book, *Secret Warriors: Inside the Covert Military Operations of the Reagan Era* (Putnam, 1988).
